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U.S. EXPECTING TAX LOSSES ON CUBAN RANSOM

Washington, Dec. 28 (AP)—The

United States government, thru loss of tax revenue, will share substantially in the cost of paying the ransom that brought the 1,113 Bay of Pigs prisoners back from Cuba.

The exact cost to the treasury and thus to the taxpayers may be impossible to determine. But one official, Mitchell Rogovin of the internal revenue service, estimated today that the tax loss, at the highest, could reach 20 million dollars, spread over three years.

Rogovin added in an interview that the loss could be less. And he stressed he considered it a loss only in the sense that every time there is a disaster relief or Community Fund drive, the government loses tax revenue thru income tax deductions.

Member of Team

Rogovin, who is counsel to the commissioner of internal revenue, was a member of Atty. Gen. Robert F. Kennedy's four-man team that managed the government's role in the deal that sent millions of dollars worth of drugs, foods, and other supplies to Cuba.

Last week a spokesman for the internal revenue service, someone other than Rogovin, said he was not certain there would be any tax loss to the government.

He said most of the companies concerned list the allowed maximum 5 per cent contribution to charity every year and their contribution to the ransom simply would take the place of some other charity.

A source close to the country's drug manufacturers, however, disputed this. He said American industries generally contribute 1 per cent of their income to charity. The drug companies usually contribute more than that, he continued, but nowhere near the allowed 5 per cent.

Here is how Rogovin figures the possible tax loss to the government:

Premier Fidel Castro received 53 million dollars worth of goods—\$22,263,000 worth of drugs; \$6,872,000 worth of surgical, dental, and veterinary instruments; \$9,365,000 worth of powdered milk; and \$14,500,000 worth of baby food.

Rogovin said these figures are the value of the goods to Castro on the docks at Havana. The costs of labor, packing, and transportation are included.

Rogovin estimated that the total wholesale value of the goods—before they left the manufacturers—would be 40 million dollars. He said the companies can deduct only the wholesale value as charitable contributions.

5 Per Cent Limit

Under the tax laws, all companies may deduct 5 per cent of their income for charity but no more than that. If a company does not use its full 5 per cent deduction, it can add the remainder to its allowed deduction in the next two years.

Thus the government will have 40 millions less income to tax if you make two assumptions:

1. The companies would have sold the 40 million dollars worth of goods if they had not contributed it.
2. The companies will list all their contributions within the 5 per cent deduction sometime before 1964.

Since the corporate income tax is 52 per cent, the government thus would lose about 20 million dollars in tax revenue. The source close to the drug manufacturers said they likely would list all their contributions to the ransom as income tax deductions.